

# **E-Rate Program**

## **Key Proposals Regarding NPRM**

## Who is ENA?



- Managed network service provider delivering connectivity and communication services uniquely designed for education and libraries since 1996
- Currently serving over:
  - 5,345 end sites, 580 school districts, 250 libraries
  - 3.1 million students, teachers and administrators and 6.2 million library patrons
- ENA is a top-10 recipient of Priority One E-Rate funds over the life of the program (over \$500 million) with \$130m in 2013-2014 filings
- ENA is the largest Service Provider Invoice (SPI) method vendor in the program - \$3.1m of \$12.3m disbursed in Q3 2013

## ENA is Unique

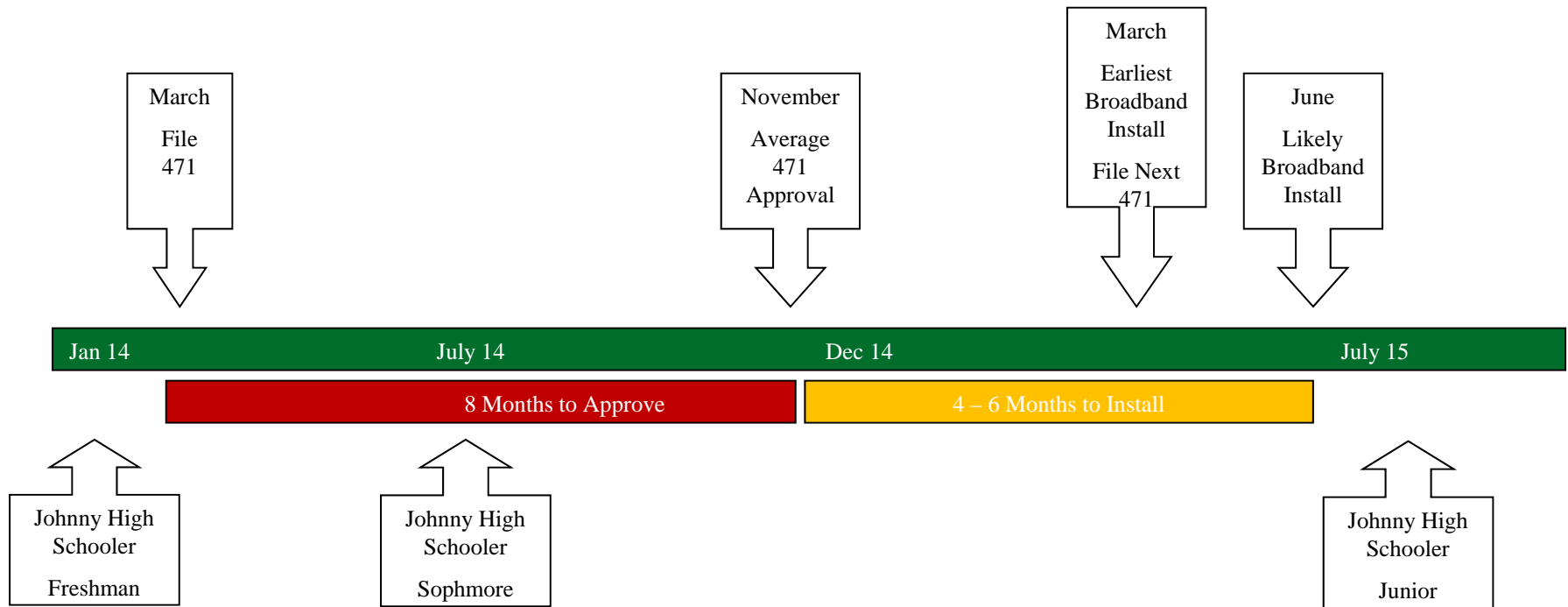
- ENA is a K-12 focused company with almost all revenues from K-12 and public libraries
- ENA's managed services are designed to make sure schools and libraries receive the full service needed and not just the pieces and parts
  - ENA is measured on whether the service works not on whether a particular part of the service seems functional
  - It's not just broadband – we understand and facilitate how broadband is used to deliver 21<sup>st</sup> century learning technologies that enrich the educational process
- ENA creates competition and lower pricing for schools and libraries
  - ENA works with over 100 connectivity providers (telecom, cable, utility, etc.) to deliver best available service and pricing for served territories
  - ENA's volume is leveraged to generate savings for its customers
- ENA drives broadband expansion across its markets
  - ENA actively recruits fiber providers to serve schools with high-speed broadband
  - TN market – have driven 100 mb broadband or higher to all schools served except 1
    - ENA serves 118 of 137 TN school systems spanning all areas of the state
- ENA is invested in the E-Rate success of its customers
  - SPI/discounted invoicing to most customers – typically in advance of funding approval
  - ENA works with contracted customers to comply with E-Rate in a proactive manner
  - ENA customers have a >99% approval and collection rate for services utilized

## Speed Up and Improve Process - Need

- NPRM goals include significant improvements to program such as:
  - 100 mb and 1 gb connectivity to all schools
  - Lower costs of service
  - More efficient E-Rate process
  - Greater visibility of program accomplishments – such as speed of each school
  - Detect fraud, waste and abuse
- Current program pitfalls include:
  - Significant time between 471 filing and application approval
  - Significant time spent on duplicative rules, forms and processes
  - PIA review processes that require focus on very small dollar items
  - Numerous deadlines to meet
  - Lack of measurement and testing of cost per unit
  - High volume of FCC appeals due to complexity of program
  - No time left for FCC to elevate the program to achieve its mission and goals
- Streamlining process
  - First steps toward focusing time and energy on goals
  - Heavy focus on cost per unit as method to meet many goals
  - Use of 471 to capture and share more information

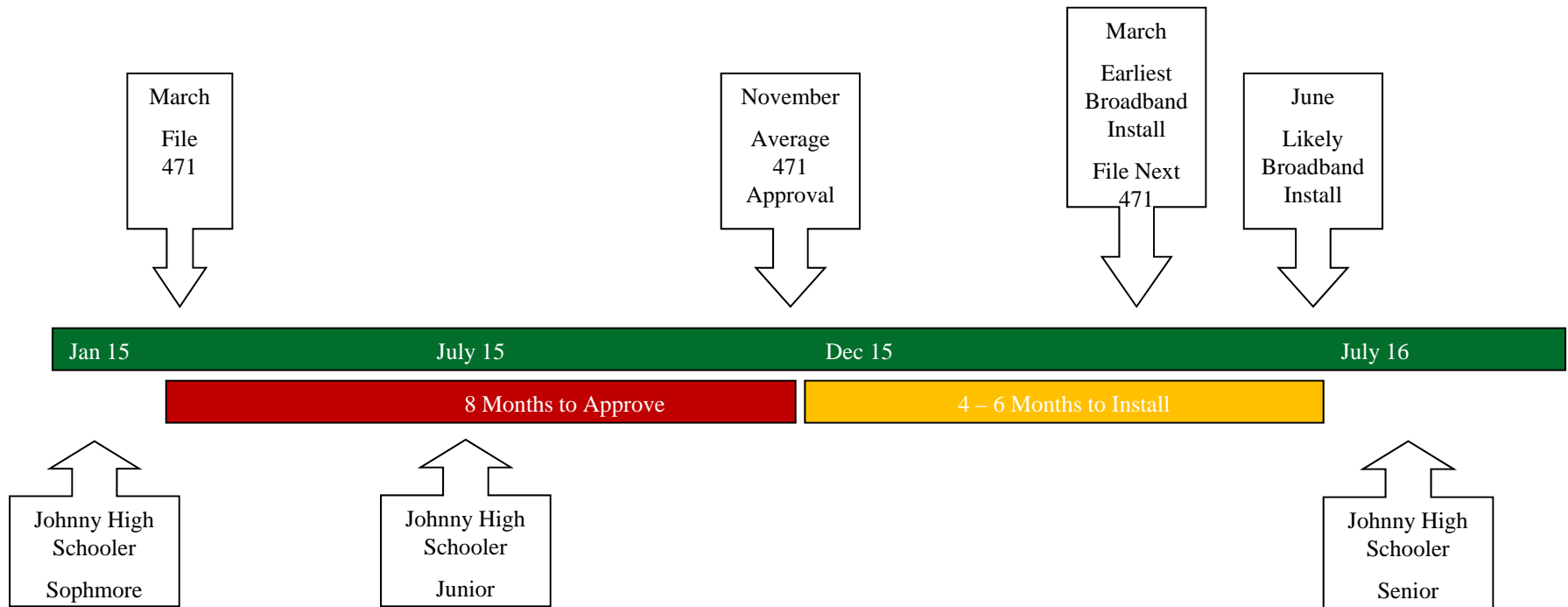
# Current

## Assuming P1 Funding Available

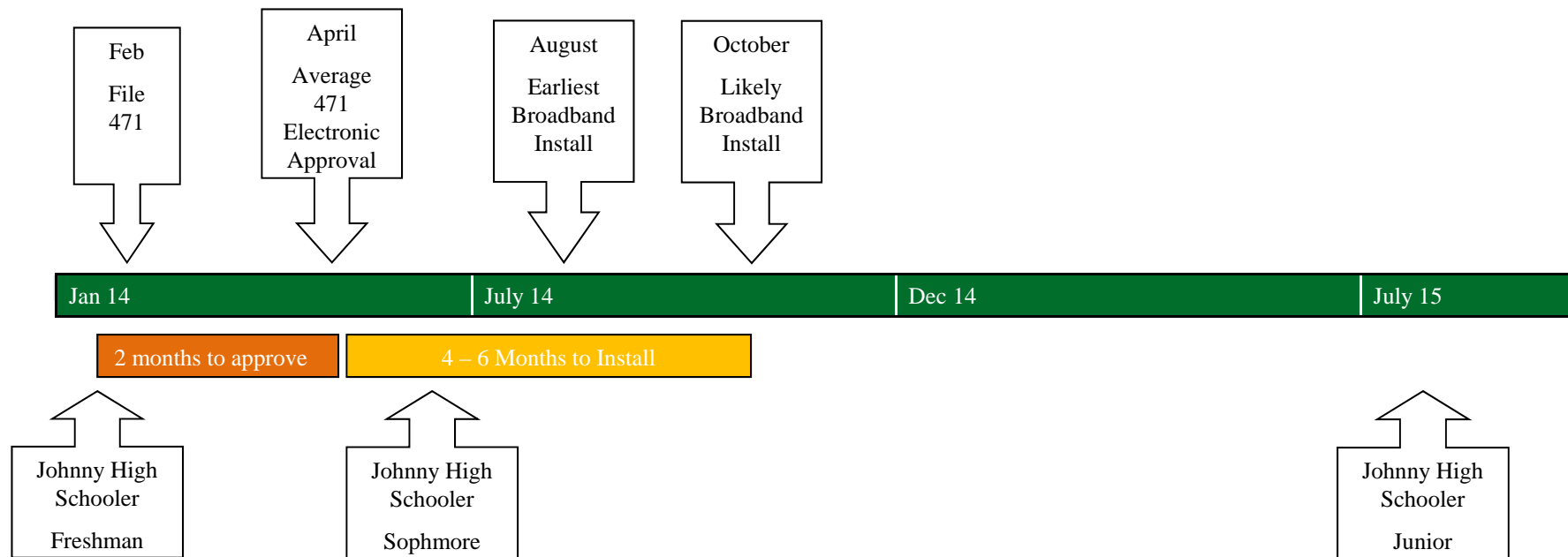


# Current

## Assuming NPRM P1 Funding Needed



# After Recommendations

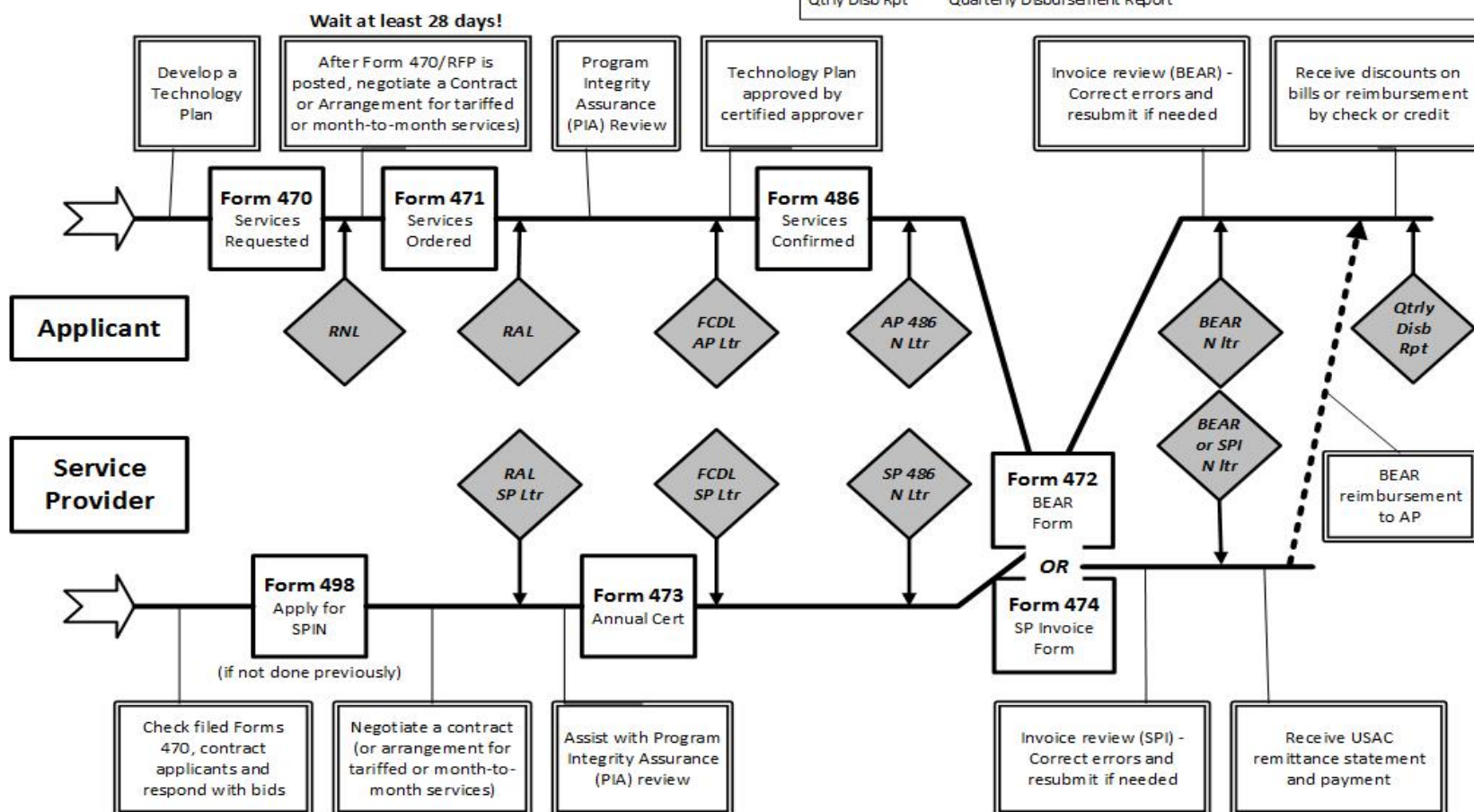


# Current Process in a Page



## Application Process Flow Chart

Key	
AP or SP	Applicant or Service Provider
SPIN	Service Provider Identification Number
RNL	Form 470 Receipt Notification Letter
RAL	Form 471 Receipt Acknowledgment Letter
FCDL	Funding Commitment Decision Letter
486 NLtr	Form 486 Notification Letter
Bear or SPI	Billed Entity Applicant Reimbursement or Service Provider Invoice
Qtrly Disb Rpt	Quarterly Disbursement Report





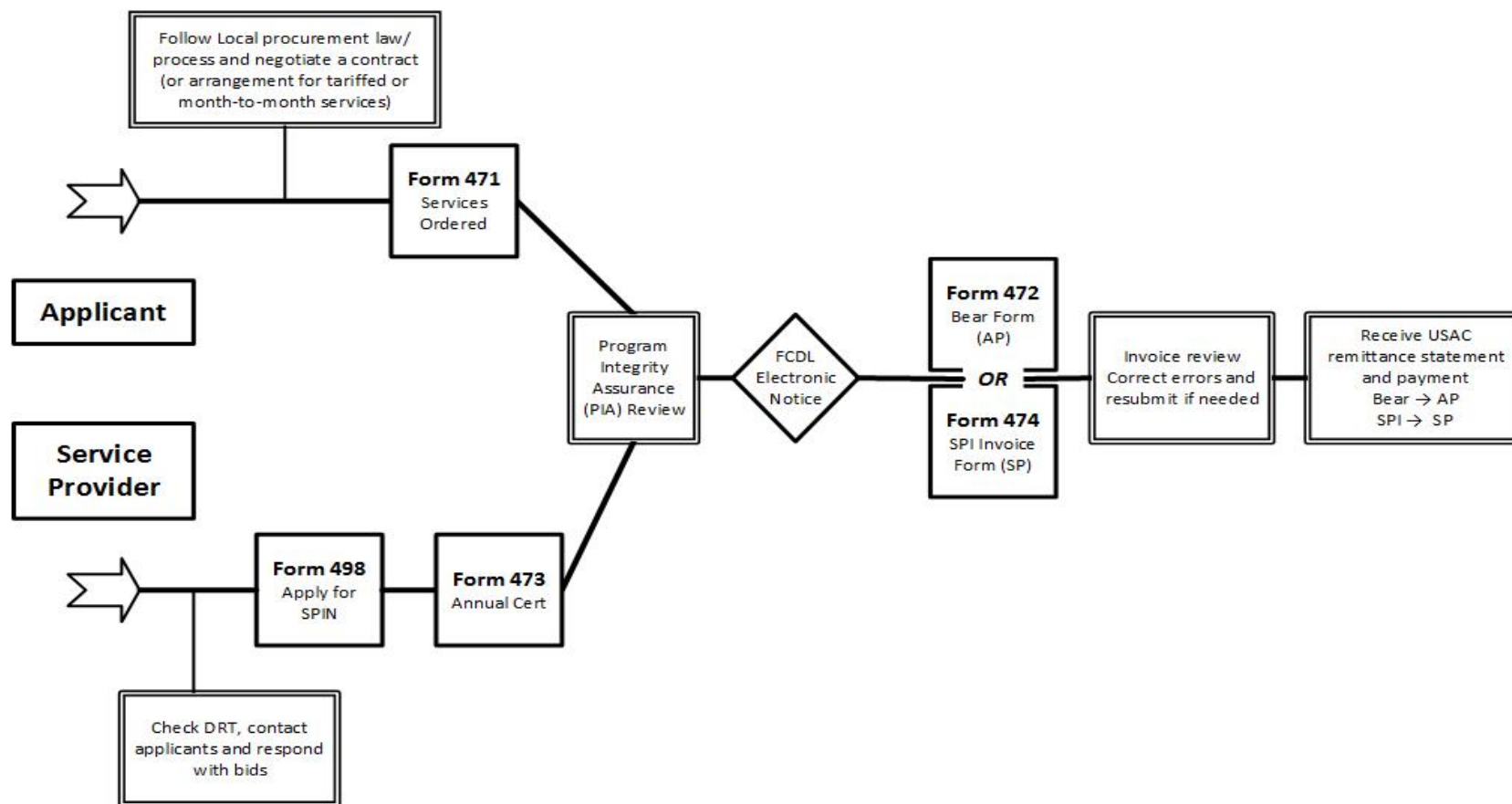
# Potential Streamlined Process



## Application Process Flow Chart

(After Recommendations)

Key	
AP or SP	Applicant or Service Provider
SPIN	Service Provider Identification Number
FCDL	Funding Commitment Decision Letter
Bear or SPI	Billed Entity Applicant Reimbursement or Service Provider Invoice
DRT	Data Retrieval Tool



## 471 Processing Layers - Current

40,000 471s To Review

40,000 Electronic  
Minimum Processing  
Standards Tested

40,000 Human Tested

## 471 Processing Filter - Recommended



40,000 471s To Review

34,000 Electronic  
Approvals (85%)

6,000 Human  
Tested (15%)

## Speed Up and Improve Process – First Steps

- Use sampling techniques to approve 85% or more electronically
  - Likely integration with existing electronic minimum standards testing and other PIA electronic selection techniques – without wholesale rebuild of existing electronic systems
- Electronic testing for high cost and low service levels
  - Establish cost per unit testing points to determine what to review
  - Identify service levels below goals for outreach
  - Human testing of outliers and sample only
  - Create USAC completion targets and requirements to report status to applicants
- Eliminate 100% denial system and institute a fine system
  - FCC and E-Rate Program should have the ability to provide partial funding in situations that merit such treatment
  - Services delivered under valid state and local contracts should be covered by E-Rate
  - 100% denial for errors not rising to the level of fraud are not supportive of FCC goals
  - Dramatically reduce volume of appeals

## Speed Up and Improve Process – First Steps

- Eliminate duplicative forms and signatures
  - 471 – Key form for applicant certifications
    - Integrate Item 21 Attachment into Form 471 – not a separate on-line form
  - 470 – replace with Data Retrieval Tool (DRT) information
  - 486 - move certifications to Form 471
  - 472 BEAR – eliminate vendor signature – disbursements group scope based testing
  - Deliver Receipt Notification Letters and Funding Commitment Decision Letters electronically – no paper or fax
  - Eliminate Quarterly Disbursements Report – DRT has same information available
- Capture key comparison data using Form 471
  - Broadband speeds, students served, broadband costs, etc.
- Enhance FCC's role in promoting advanced services
  - Move beyond “funding police” mentality to true advocate for technology to schools
  - Gradually remove fear of program and replace with technology partnership
  - Time saved with efficient E-Rate process can be spent on helping outliers improve service levels and reduce costs

## Speed Up and Improve Process - Impact

- Use sampling techniques to approve 85% or more electronically
  - Eliminates unneeded testing of applications that “fit between the lines”
  - Provides potential to approve most applications before start of program year
- Simple electronic testing for high cost and low service levels
  - High cost testing cures almost all issues – limited need for other complex rules such as LCP or special rules for consortia processing – if cost meets guidelines, 471 will likely get approved electronically
  - Focuses on most likely areas for denials/inappropriate usage of funds
  - Helps to meet program goals related to identifying and reducing high costs
  - With extra time available, PIA, working with other areas of SLD and with FCC, could reach negotiated funding levels with tested applicants avoiding long appeal cycles
    - Institute ability to fund at less than 100% and potentially a fine system to assist this method
  - Significant reduction in SLD and FCC appeals
  - Allows FCC/USAC focus on assisting applicants in high cost areas or with low service

# Speed Up and Improve Process - Impact

- Eliminate duplicative forms and signatures
  - DRT already has readily available data on contract end dates, disbursements, etc. and can provide same information duplicated on other forms
  - Invoice testing procedures already in place can evaluate and test invoices (BEARs or SPIs) as needed for compliance – including start of service date
    - No need for BEARs or SPIs to require 100% involvement of second party – vendor or applicant
  - Elimination of multiple deadlines that result in numerous appeals and much confusion
- Capture key comparison data using Form 471
  - Provides measurement vs. broadband goals without additional surveys or forms
- Enhance FCC's Role in promoting advanced services
  - Time available to work on the true goals of the E-Rate program
  - FCC becomes true leader in advancing the nation's technology growth

## E-Rate Recommendations

- Exempt schools and libraries and their underlying providers from USF on services (and service components)
  - The current method of collecting USF on E-Rate services reduces the availability of E-Rate dollars for actual technology services
  - If an applicant has to inflate their request by 10% to 15% for USF, a significant portion of E-Rate dollars are basically just going in a circle – from the program to applicants and back to the program
    - Since there is an E-Rate cap, USF fees have an impact on services delivered to E-Rate applicants
    - An extra \$200 to \$300 million of actual funds to spend on technology without raising the cap would be very valuable
      - Savings from other program reforms such as Lifeline could offset any costs
- Develop standing committee of E-Rate constituents to help ongoing improvement of E-Rate rules/program
  - Assuming rules allow, such a group could assist FCC staff to make changes in a more effective and ongoing manner as needed
  - Sounding board to assist with implementation of NPRMs and other changes
    - Lots of work to review and implement comments – how does FCC get follow-on information?